
OLR Bill Analysis

sSB 387 (File 49, as amended by Senate "A")*

AN ACT INCREASING THE MINIMUM FAIR WAGE.

SUMMARY:

This bill increases the hourly minimum wage from its current \$8.25 to \$8.70 on January 1, 2014 and from \$8.70 to \$9.00 on January 1, 2015. It increases the "tip credit" in each of those years to keep the employer's share of (1) hotel and wait staff's wages at its current \$5.69 and (2) bartenders' wages at its current \$7.34.

The law, unchanged by the bill, allows learners, beginners, and people under age 18 to be paid 85% of the minimum wage for the first 200 hours of their employment. In effect, the bill's minimum wage increases raise this wage from its current \$7.01 to \$7.39 in 2014 and \$7.65 in 2015.

*Senate Amendment "A" (1) reduces the original bill's minimum wage increases from 75 to 45 cents in 2014 and from 75 to 30 cents in 2015, (2) eliminates a provision that indexed minimum wage increases to the consumer price index starting in 2016, and (3) increases the tip credit to keep the employer's share of the minimum wage for hotel and wait staff and bartenders at their current levels.

EFFECTIVE DATE: July 1, 2013

TIP CREDIT

The law allows the employers of hotel and restaurant staff and bartenders who customarily receive tips to count these employees' tips as a portion of their minimum wage requirement. This minimum wage "tip credit," lowers the employer's share of the minimum wage, as long as the employee's tips make up the difference. Current law allows tips to comprise 31% of the minimum wage for hotel and

restaurant employees and 11% of the minimum wage for bartenders. As long as the employees' tips make up the difference, this allows hotel and restaurant staffs' employers to pay them 69% of the minimum wage (\$5.69), and bartenders' employers to pay them 89% of the minimum wage (\$7.34).

The bill increases the tip credit percentages in 2014 and 2015 so that the employer's share of these employees' wages remains at their current dollar amounts, despite the increase in the overall minimum wage. Tables 1 and 2 show the bill's changes to the minimum wage and tip credit and their effect on the employer's share of the minimum wage for hotel and restaurant employees and bartenders.

Table 1: The Hotel and Restaurant Employee's Tip Credit

Year	Minimum Wage	Tip Credit	Employer's Share
2013 (current law)	\$8.25	31% ($\$8.25 \times .31 = \2.56)	\$5.69 ($\$8.25 - \2.56)
2014 (the bill)	\$8.70	34.6% ($\$8.70 \times .346 = \3.01)	\$5.69 ($\$8.70 - \3.01)
2015 (the bill)	\$9.00	36.8% ($\$9.00 \times .368 = \3.31)	\$5.69 ($\$9.00 - \3.31)

Table 2: The Bartender's Tip Credit

Year	Minimum Wage	Tip Credit	Employer's Share
2013 (current law)	\$8.25	11% ($\$8.25 \times .11 = \0.91)	\$7.34 ($\$8.25 - \0.91)
2014 (the bill)	\$8.70	15.6% ($\$8.70 \times .156 = \1.36)	\$7.34 ($\$8.70 - \1.36)
2015 (the bill)	\$9.00	18.5% ($\$9.00 \times .185 = \1.66)	\$7.34 ($\$9.00 - \1.66)

COMMITTEE ACTION

Labor and Public Employees Committee

Joint Favorable Substitute

Yea 7 Nay 4 (02/28/2013)

Appropriations Committee

Joint Favorable

Yea 30 Nay 17 (05/07/2013)